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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF IDAHO POWER'S)
APPLICATION TO APPROVE OR REJECT) CASE NO. IPC-E-16-01
ENERGY SALES AGREEMENT WITH J.R.)
SIMPLOT COMPANY FOR THE SALE AND) COMMENTS OF THE
PURCHASE OF ELECTRIC ENERGY.) COMMISSION STAFF
_____)**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Daphne Huang, Deputy Attorney General, and in response to the Notice of Application and Notice Modified Procedure issued in Order No. 33451 on January 14, 2016, in Case No. IPC-E-16-01, submits the following comments.

BACKGROUND

On January 6, 2016, Idaho Power Company filed an Application asking the Commission to accept or reject its Energy Sales Agreement with J.R. Simplot Company. The Agreement is for the sale and purchase of electric energy generated by the Simplot-Pocatello cogeneration project, a “qualifying facility” (QF) as defined under the Public Utility Regulatory Policies Act (PURPA), located near Pocatello, Idaho.

On January 4, 2016, Idaho Power entered into an Agreement with Simplot, subject to this Commission’s approval, and pursuant to the terms and conditions of various Commission Orders

and PURPA. Application at 2. Under PURPA, electric utilities must purchase electric energy from QFs at rates approved by this Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 789, 316 P.3d 1278, 1287 (2013). The purchase or “avoided cost” rate shall not exceed the “‘incremental cost’ to the purchasing utility of power which, but for the purchase of power from the QF, such utility would either generate itself or purchase from another source.” Order No. 32697 at 7, *citing Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 917 P.2d 781 (1996); 18 C.F.R. § 292.101(b)(6) (defining “avoided cost”).

The Agreement between Idaho Power and Simplot replaces an existing contract that expires March 1, 2016. Application at 2. Under the terms of the Agreement, Simplot elected to contract with Idaho Power for a three-year term using non-levelized, “published” avoided cost rates. *Id.* at 4. The Commission establishes “published” avoided cost rates using the “SAR methodology,”¹ for wind and solar QFs with a design capacity of up to 100 kilowatts (kW), and for QFs of all other resource types with a design capacity of up to 10 average megawatts (aMW). Order No. 32697 at 7-8. The Simplot-Pocatello cogeneration project is an “other resource type” QF. Application at 2. The Agreement thus uses the “other” published avoided cost rates, as established by the Commission in Order No. 33305, for energy deliveries of less than 10 aMW. *Id.* at 4.

The nameplate rating of the Simplot-Pocatello Project is 15.9 megawatts (MW), however, Simplot agrees not to exceed 10 aMW on a monthly basis. *Id.* at 4. If the facility does exceed the monthly 10 aMW limit, Simplot agrees that “Idaho Power will accept the energy (Inadvertent Energy) that does not exceed the Maximum Capacity Amount, but will not purchase or pay for this Inadvertent Energy.” *Id.*

The Commission has found it “reasonable, appropriate, and in the public interest to compensate QFs” based on the capacity they provide to the purchasing utility, as well as the energy they produce. Order No. 32697 at 16. In calculating capacity payments, the Commission considers the utility’s “capacity deficiency” based on load and resource balances in the utility’s Integrated Resource Plan (IRP), as well as the “QF’s ability to contribute to [the] utility’s need

¹ The SAR methodology uses a “surrogate avoided resource” to calculate standardized avoided cost rates for QFs with design capacities under prescribed limits. See Order No. 32697 at 7-8; see also 18 C.F.R. § 292.304(c).

for capacity.” *Id.* at 16, 21. Because the Agreement in this case is a replacement contract,² its rates include capacity payments throughout the contract’s term. Application at 3.

The facility is already interconnected and selling energy to Idaho Power, thus the Agreement specifies a Scheduled First Energy Date and Scheduled Operation date of March 1, 2016,³ but no later than 120 days after Commission approval in a final, non-appealable Order. *Id.* at 5.

The terms and provisions of the Agreement include that “applicable interconnection charges and monthly operation and maintenance charges under Schedule 72 will be assessed to Simplot.” *Id.* Also, PURPA QF generation “must be designated as a network resource (DNR) to serve Idaho Power’s retail load on its system.” *Id.* at 5-6. To maintain DNR status, “there must be a power purchase agreement associated with [the project’s] transmission service request that maintains compliance with Idaho Power’s non-discriminatory administration of its Open Access Transmission Tariff (OATT) and maintains compliance with [Federal Energy Regulatory Commission] FERC requirements.” *Id.* at 6.

STAFF ANALYSIS

Staff has reviewed the proposed rates and confirms they are correct. All other terms and conditions contained in the proposed Agreement are consistent with prior Commission orders.

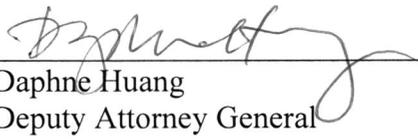
RECOMMENDATION

Staff recommends that the Commission approve all of the Agreement’s terms and conditions and declare that all payments made by Idaho Power to J.R. Simplot Company for purchase of energy from the Simplot-Pocatello cogeneration project will be allowed as prudently incurred expenses for ratemaking purposes.

² The Simplot-Pocatello cogeneration project has been in operation since at least 1991, and has thus been contributing to Idaho Power’s system capacity for many years. *See* Order Nos. 23552, 25353, 28730, 29577, 30028, 32790, 33240.

³ *See* Appendix B at 38. The Application contains a typographical error, indicating a First Energy and Scheduled Operation Date of March 1, 2015.

Respectfully submitted this 4th day of February 2016.


Daphne Huang
Deputy Attorney General

Technical Staff: Yao Yin

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 4TH DAY OF FEBRUARY 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF** IN CASE NO. IPC-E-16-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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